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PIERCE PROPOSED AMENDMENT # 4

DATE PREPARED: December 13, 2011

COMPANY: Tucson Electric Power Company.

DOCKET NOs: E-01933A-11-0269

OPEN MEETING DATES: December 13 & 14, 2011   AGENDA ITEM: U-16

Page 13, Line 11

INSERT "and the Commission's" after "Staff's" and REPLACE table in Finding of Fact 44 as follows:

Budget Line Item	**TEP 2012 Proposed Budget**	**Staff 2012 Proposed Budget**	**Modified Staff Option 2**
TEP Owned Generation	$4,228,918	$2,114,459	$4,228,918
Residential UFI	$14,358,111	$14,358,111 (Option 1) $7,689,938 (Options 2 and 3)	$5,000,000
Commercial UFI	$1,114,510	$1,114,510 (Options 1 and 2) $0 (Option 3)	$0
Commercial PBI	$5,972,915	$5,972,915 (Options 1 and 2) $5,753,375 (Option 3)	$0
Marketing	$700,000	$100,000	$0
Schools Program	$650,000	$350,000	$350,000
TEP Training Costs	$100,000	$75,000	$75,000
Metering	$227,982	$0	$227,982
Total Labor Costs	$1,728,859	$1,645,000	$1,645,000
Solar Test Yard Costs	$350,000	$275,000	See Finding of Fact #34
EPRI Research	$341,000	$191,000	See Finding of Fact #34
Dues and Fees	$15,000	$7,500	See Finding of Fact #34

THIS AMENDMENT:

_____ Passed _________ Passed as amended by ____________________

_____ Failed _____ Not Offered _____ Withdrawn

Page 21, Line 5

DELETE lines 5-12 after the word "dip." and REPLACE with new Finding of Fact:

"Nevertheless, the Commission finds that it is in the public interest to create a mechanism whereby the non-residential DG industry can continue installing DG beyond the amount TEP needs for strict REST rule compliance. Doing so will provide the industry with a mechanism to avoid a decline in industry activity with accompanying layoffs. At the same time, we do not want to exacerbate the 2013-2015 dip. Accordingly, we will not allow the non-residential DG industry activity to grow unchecked in 2012. Rather, we will cap the total amount of reserved non-residential DG capacity at 2011 levels. In addition, because TEP is already compliant with its 2012 non-residential DG requirements, new systems must demonstrate exceptional value to ratepayers, and we will reduce the applicable incentives as follows: \$0.40 per watt for non-residential UFI incentives, \$0.072 per hWh for 70-200 kW systems, \$0.068 per kWh for 200-400 kW systems, and \$0.064 per kWh for 401 kW and higher systems for TEP. Thus, this mechanism will thus enable the non-residential DG to continue installing systems beyond compliance while providing ratepayers with more renewable energy benefit for each dollar invested than might otherwise have occurred. The funding source for this mechanism will be the PBI Legacy Cost budget, which we will describe below.

The Commission is becoming more and more concerned about the mounting legacy costs associated with PBI systems approved in prior years. These PBI legacy costs for TEP now amount to approximately \$114 million in lifetime commitments. One obvious way to deal with this problem would be to change the incentive for non-residential systems from a performance-based incentive to an up-front incentive. The problem with UFIs, however, is that they are riskier to ratepayers than PBIs. PBIs, unlike UFIs, place the risk of performance on the system owners, not on the ratepayers. One way to maintain the performance-requiring benefits of PBIs yet also address the legacy cost issue associated with PBIs is to collect more money from ratepayers at the time the PBI commitment made to more closely approximate the lifetime cost of the system, while continuing to pay the system owners based on performance. Accordingly, we will authorize TEP to collect \$5,753,375, which equals TEP's PBI legacy cost in 2012, and place it in its newly created PBI Legacy Cost budget to be used in future years to pay PBI legacy costs.

To the extent that a non-residential system is installed utilizing the PBI Legacy Cost budget and begins generating electricity in 2012, TEP should be allowed to recover its associated lost revenue that is not fuel related. For all kWhs produced by such systems in 2012, TEP shall be authorized to recover from the PBI Legacy Cost budget \$0.07810 per kWh, which equals TEP's fixed cost revenue requirement for its small commercial customers.

Page 26, Line 20

INSERT "1 and 2, and the Modified Staff 2 Options." and REPLACE table in Finding of Fact 73 as follows:

Budget Components	**2012 TEP Option 1**	**2012 TEP Option 2**	**2012 Staff Option 1**	**2012 Staff Option 2**	**Modified Staff Option 2**
Purchased Renewable Energy					
Above market cost of conventional generation	$12,377,000	$12,377,000	$12,377,000	$12,377,000	$12,377,000
SunEdison	$1,045,500	$1,045,500	$1,045,500	$1,045,500	$1,045,500
TEP Owned	$4,228,918	$4,228,918	$2,114,459	$2,114,459	$4,228,918
Subtotal	*$17,651,418*	*$17,651,418*	*$15,536,959*	*$15,536,959*	*$17,651,418*
Customer Sited Distributed Renewable Energy					
Up-front incentive – residential	$14,358,111	$12,585,213	$14,358,111	$7,689,938	$5,000,000
Up-front incentive – commercial	$1,114,510	$1,114,510	$1,114,510	$1,114,510	$0
Annual Performance-Based Incentive (PBI)	$5,972,915	$5,972,915	$5,972,915	$5,972,915	$5,753,375
Meter Reading	$19,531	$19,531	$19,531	$19,531	$19,531
Marketing	$700,000	$700,000	$100,000	$100,000	$0
Subtotal	*$22,165,067*	*$20,392,169*	*$21,565,067*	*$14,896,894*	*$10,772,906*
Technical Training					
Schools Program	$650,000	$650,000	$350,000	$350,000	$350,000
Internal and Contractor Training	$100,000	$100,000	$75,000	$75,000	$75,000
Subtotal	*$750,000*	*$750,000*	*$425,000*	*$425,000*	*$425,000*
Information Systems					
Subtotal	*$500,000*	*$500,000*	*$500,000*	*$500,000*	*$500,000*
Metering					
Subtotal	*$227,982*	*$227,982*	*$0*	*$0*	*$227,982*
Labor and Administration					
Labor, Materials, Supplies	*$1,728,859*	*$1,728,859*	*$1,645,000*	*$1,645,000*	*$1,645,000*
AZ Solar Website	*$4,000*	*$4,000*	*$4,000*	*$4,000*	*$4,000*
Subtotal	*$1,732,859*	*$1,732,859*	*$1,649,000*	*$1,649,000*	*$1,649,000*
Research and Development					
Solar test yard	$350,000	$350,000	$275,000	$275,000	N/A
AZRISE	$250,000	$250,000	$250,000	$250,000	N/A
EPRI Research	$341,000	$341,000	$191,000	$191,000	N/A
Dues and Fees	$15,000	$15,000	$7,500	$7,500	N/A
Subtotal	*$956,000*	*$956,000*	*$723,500*	*$723,500*	*$475,000*
PBI Legacy Cost Account	----	----	----	----	*$5,753,375*
Total Spending	*$43,983,326*	*$42,210,427*	*$40,399,526*	*$33,731,353*	*$37,454,681*
Carryover 2010 Funds	*-$4,875,000*	*-$4,875,000*	*-$4,875,000*	*-$4,875,000*	*-$4,875,000*
Total Amount for Recovery	*$39,108,326*	*$37,335,427*	*$35,524,526*	*$28,856,353*	*$32,579,681*

Page 31, Line 19

INSERT the following Finding of Fact:

The Commission adopts the Modified Staff Option 2 budget. The requisite surcharge and customer caps to recover a budget of $32,579,681 are as follows:

Customer Class	2011 Customer Caps	2012 Customer Caps
Residential	$4.50	$3.98
Small Commercial	$160.00	$115.00
Large Commercial	$1,000.00	$950.00
Industrial & Mining	$5,500.00	$5,450.00
Public Authority	$180.00	$170.00
Lighting (PSHL)	$160.00	$150.00
Per kWh to all Classes	$0.007121	$0.007000

Page 35, Line 12

REPLACE Ordering Paragraph as follows:

IT IS THEREFORE ORDERED that the Modified Staff Option 2 for the Tucson Electric Power Company 2012 REST Implementation Plan, reflecting a REST charge of $0.007000 per kWh, and related caps reflected in the Staff proposal be and hereby is approved. This includes total spending of $37,454,681 and a total budget of $32,579,681.

Page 35, Line 16

REPLACE "1.00" with "0.75"

Page 35, Line 18

REPLACE "1.00" with "0.40"

Page 35, Line 21-22

REPLACE "0.125" with "0.072", "0.105" with "0.068", and "0.091" with "0.064"

Page 35, Line 23

DELETE Ordering Paragraph after "reduced" and INSERT "according the trigger mechanism described in Finding of Fact number XX.

Make All Conforming Changes